



**STATEMENT OF ACTUARIAL OPINION
ANNUAL STATEMENT OF
MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION
FOR THE YEAR ENDED JUNE 30, 2005**

IDENTIFICATION

I, Roger M. Hayne, am associated with the firm of Milliman, Inc. I am a member of the American Academy of Actuaries and meet its qualification standards for statements of actuarial opinion regarding fire and casualty insurance company statutory Annual Statements. I am also a Fellow of the Casualty Actuarial Society. I was appointed by the Board of Directors Michigan Catastrophic Claims Association ("the Company") on December 15, 1993 to render this opinion.

The loss and loss adjustment expense reserves are the responsibility of the Company's management; my responsibility is to express an opinion on those reserves based on my review.

SCOPE

I have examined the reserves listed in Exhibit A, as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials, as of June 30, 2005.

The items upon which I am expressing an opinion, as shown in Exhibit A, reflect the Loss Reserve Disclosure Items, as shown in Exhibit B.

The Company writes no Long Duration Contracts, defined as contracts, excluding financial guaranty contracts, mortgage guaranty contracts and surety contracts that fulfill both of the following conditions: (1) the contract term is greater than or equal to thirteen months and (2) the insurer can neither cancel nor increase the premium during the contract term

In forming my opinion on the loss and loss adjustment expense reserves, I relied upon data and related information prepared by the Company. In this regard, I relied on James Lusted, Controller, Michigan Catastrophic Claims Association as to the accuracy and completeness of the data. I evaluated the data used directly in my analysis for reasonableness and consistency. My evaluation did not reveal any data points materially affecting my analysis that fell outside of the range of reasonable possibilities. In performing this evaluation, I have assumed that the Company (a) used its best efforts to supply accurate and complete data and (b) did not knowingly provide any inaccurate data. I also reconciled the paid loss and loss adjustment expense amounts and case reserve amounts as of June 30, 2005 used in my analysis against Schedule P - Part 1 of the Company's current Annual Statement. In other respects, the analysis underlying my opinion included the use of such actuarial assumptions and methods and such tests of calculations as I considered necessary.

My review was limited to the items included in Exhibit A, and did not include an analysis of any income statement items or other balance sheet items. My opinion on the reserves is based upon the assumption that all reserves are backed by valid assets, which have suitably scheduled maturities and/or adequate liquidity to meet cash flow requirements.



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OPINION

In my opinion, the sum of the amounts carried on account of items A and B, the sum of the amounts carried on account of items C and D, and the amounts carried on account of item E, all as shown in Exhibit A:

- A. Meet the requirements of the insurance laws of Michigan;
- B. Are consistent with reserves computed in accordance with Standards of Practice issued by the Actuarial Standards Board (including the Casualty Actuarial Society's Statement of Principles Regarding Property and Casualty Loss and Loss Adjustment Expense Reserves); and
- C. Make a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its contracts and agreements.

This opinion is made in accordance with the category "Determination of Reasonable Provision," as contained in the 2004 Property and Casualty Annual Statement Instructions regarding Statements of Actuarial Opinion

RELEVANT COMMENTS

RISK OF MATERIAL ADVERSE DEVIATION

There are a variety of risk factors that expose the Company's reserves to significant variability. I have identified the major risk factors as uncertainty regarding economic conditions for nearly 100 years into the future, potential changes in the social, legal and judicial climate in which the Company operates and changes in the care and treatment of catastrophically injured claimants. The potential impact of these risk factors is described in more detail in the following paragraph and in the report supporting this Opinion. The absence of other risk factors from this listing does not imply that additional risk factors will not be identified in the future as having been a significant influence on the Company's reserves.

The Company is liable to reimburse member insurers for all covered expenses incurred by qualifying claimants through their respective lifetimes without any monetary limit. As such, the Company's current liabilities could extend to payments more than one hundred years into the future. This extremely long potential payment tail, coupled with uncertainties in estimating payments that far into the future, means that any estimate of the Company's liabilities is subject to substantial uncertainty.



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Since the Company's reserves are carried on a discounted basis, as we understand is permitted for the Company by the Michigan Insurance Bureau, future economic conditions that affect the relationship between the rate of cost increase experienced on the Company liabilities and the return the Company can achieve on its assets can materially affect the adequacy of Company reserves. Future treatment of the Company claimants can affect both the costs of that treatment as well as the life expectancy of the Company claimants. This in turn can affect the Company's liabilities. Since the Company's obligations are defined by its enabling legislation, legislative and judicial actions can also materially impact these liabilities.

In addition, these reserves are discounted at assumed annual interest rate of 5.00% through June 30, 2006, 5.25% through June 30, 2007, 5.50% through June 30, 2008, 5.75% through June 30, 2009, 6.00% through June 30, 2010, 6.25% through June 30, 2011, 6.50% through June 30, 2012, 6.75% through June 30, 2013, and 7.00% thereafter. These estimates are based on the Company's investment portfolio and reflect my assessment of both near term and long term expected performance given expected future increases in Company costs. They do not include any additional provision for adverse fluctuation or risk margin nor is there a risk margin, either implicit or explicit in my estimate of future expected losses. As a result, such discounted reserves are "an inadequate estimate of economic value" as indicated in Actuarial Standard of Practice No. 20, "Discounting of Property and Casualty Loss and Loss Adjustment Expense Reserves," promulgated by the Actuarial Standards Board.

I believe that the risk factors above, coupled with the variability that is inherent in any reserve estimate, could result in material adverse deviation from the carried net reserve amounts. In making this determination, I have considered a material adverse deviation to be one in which the actual net outstanding losses and loss adjustment expenses exceed the total of A and B on Exhibit A by an amount greater than \$1,034,116,000. This materiality standard, shown as Item 1 in Exhibit B, is equal to 10% of the Company's discounted carried reserves (total of items A and B) shown on the Liabilities, Surplus and Other Funds page of the Annual Statement.

With respect to the gross reserves, the materiality of adverse deviation as it relates to the Company's surplus will depend on the Company's reinsurance protection. If the Company's reinsurance protection does not respond to adverse reserve deviation, such deviation could materially affect the Company's surplus. I understand, however, solely with discussions with the Company's management, that the company has no such ceded reinsurance.

My selection of the materiality standard (10% of discounted reserves) was based on the fact that this opinion is prepared for the regulatory review of the Company and the fact that the Company's surplus as recorded in its annual statement as of June 30, 2005 is negative. Other measures of materiality might be used for reserves that are being evaluated in a different context.



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In evaluating whether the reserves make a reasonable provision for unpaid losses and loss expenses, it is necessary to project future loss and loss adjustment expense payments. It is certain that actual future losses and loss adjustment expenses will not develop exactly as projected and may, in fact, vary significantly from the projections. Further, my projections make no provision for extraordinary future emergence of new classes of losses or types of losses not sufficiently represented in the Company's historical database or that are not yet quantifiable.

OTHER DISCLOSURES

The data underlying my review, and the resulting estimates, are gross of subrogation and salvage. The Company does not reduce reserves to reflect anticipated subrogation and salvage recoveries.

I evaluated the loss and loss adjustment expense reserves on a discounted basis with regard to the time value of money. The Company does reduce reserves to reflect discounting.

The Company does not participate in any voluntary and involuntary pooling arrangements.

I have reviewed the Company's exposure to asbestos and environmental claims. In my opinion, there is a remote chance of material liability, since claim activity levels are minimal and the Company writes only reinsurance on automobile no-fault coverage.

The Company does not write extended loss and expense contracts and therefore carries no extended loss and expense reserves.

I recognize that the current book value of assets as presented in the June 30, 2005 annual statement of the Company is less than the total reserves in items A and B listed above. I note, however, that the legislation enabling the Company permits future assessments charged to member companies to include provision to reflect deficiencies in past assessments.

REINSURANCE

Based solely on discussions with Company management and its description of the Company's ceded and assumed reinsurance, I am not aware of any reinsurance transaction that either has been or should have been accounted for as retroactive reinsurance or as financial reinsurance (defined as contractual arrangements that do not include transfer of both timing and underwriting risk).

My opinion on the loss and loss adjustment expense reserves net of ceded reinsurance assumes that all ceded reinsurance is valid and collectible. The Company has represented to me that it knows of no uncollectible reinsurance cessions. I am not aware of any reinsurance that the Company treated as collectible but should have treated as uncollectible. This does not imply an opinion on the financial conditions of the Company's reinsurers. I have not anticipated any



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contingent liabilities that could arise if the reinsurers do not meet their obligations to the Company as reflected in the data and other information provided to me.

IRIS RATIOS

The booked reserves do not create exceptional values in the IRIS tests One-Year Reserve Development to Surplus, and Estimated Current Reserve Deficiency to Surplus. The booked reserves do create exceptional values in the IRIS test Two-Year Reserve Development to Surplus. We note that all these tests relate amounts to surplus which for most companies is positive. The negative surplus of the Company makes exceptional customary values irrelevant for the Company.

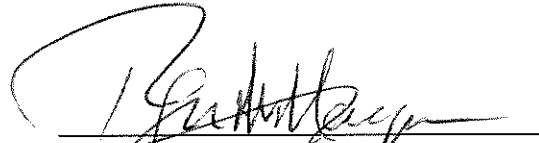
METHODS AND ASSUMPTIONS

We continue to refine the methodology we use in evaluating reserves for the Company. Such refinements include continual re-evaluation of economic assumptions used in the forecasts and in other models used to estimate various segment of the Company reserves. Such refinements have resulted in changes in reserve estimates that are material relative to the Company's surplus.

SUPPORTING DOCUMENTS AND USAGE

An actuarial report, including underlying actuarial work papers supporting the findings expressed in this Statement of Actuarial Opinion, has been provided to the Company to be retained for a period of seven years in the administrative offices of the Company and made available for regulatory examination.

This statement of opinion is solely for the use of, and only to be relied upon by, the Company and the various state departments with which it files its Annual Statement.



Roger M. Hayne, FCAS, MAAA
Consulting Actuary

Milliman, Inc.
70 South Lake Avenue, Suite 1100
Pasadena, California 91101
(626) 577-1144

September 29, 2005



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Exhibit A: SCOPE

LOSS RESERVES:	AMOUNT
A. Reserve for Unpaid Losses (Liabilities, Surplus and Other Funds page, Line 1)	\$10,319,984,000
B. Reserve for Unpaid Loss Adjustment Expenses (Liabilities, Surplus and Other Funds page, Line 3)	<u>\$21,176,000</u>
Total of A and B	<i>\$10,341,160,000</i>
C. Reserve of Unpaid Losses – Direct and Assumed (Schedule P, Part 1, Totals from Cols. 13 and 15)	\$49,940,265,000
D. Reserve for Unpaid Loss Adjustment Expenses – Direct and Assumed (Schedule P, Part 1, Totals from Cols. 17, 19 and 21)	<u>\$67,855,000</u>
Total of C and D	<i>\$50,008,120,000</i>
E. The Page 3 write-in item reserve, "Retroactive Reinsurance Reserve Assumed"	\$0
PREMIUM RESERVES:	AMOUNT
G. Reserve for Direct and Assumed Unearned Premiums for Long Duration Contracts	\$0
H. Reserve for Net Unearned Premiums for Long Duration Contracts	\$0



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Exhibit B: DISCLOSURES

1. Materiality Standard expressed in \$US	\$1,031,998,400
2. Statutory Surplus	(\$2,089,650,633)
3. Anticipated net salvage and subrogation included as a reduction to loss reserves as reported in Schedule P	\$0
4. Discount included as a reduction to loss reserves and loss expense reserves as reported in Schedule P	
4 (a) Nontabular Discount	\$39,666,960,000
4 (b) Tabular Discount	\$0
5. The net reserves for losses and expenses for the company's share of voluntary and involuntary underwriting pools' and associations' unpaid losses and expenses that are included in reserves shown on the Liabilities, Surplus and Other Funds page, Losses and Loss Adjustment Expenses lines.	\$0
6. The net reserves for losses and loss adjustment expenses that the company carries for the following liabilities included on the Liabilities, Surplus and Other Funds page, Losses and Loss Adjustment Expenses lines.	
6 (a) Asbestos, as disclosed in the Notes to Financial Statements	\$0
6 (b) Environmental, as disclosed in the Notes to Financial Statements	\$0
7. The total claims made extended loss and expense reserve (Schedule P Interrogatories).	
7 (a) amount reported as loss reserves	\$0
7 (b) amount reported as unearned premium reserves	\$0